



Audit Report



OIG-05-005

FINANCIAL MANAGEMENT: Report on the Treasury Bureau of the Public Debt Trust Fund Management Branch Schedules for Selected Trust Funds for the Period October 1, 2003 to September 30, 2004

November 6, 2004

Office of
Inspector General

Department of the Treasury



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

November 6, 2004

MEMORANDUM FOR VAN ZECK, COMMISSIONER
BUREAU OF THE PUBLIC DEBT

FROM: William H. Pugh *William H. Pugh*
Deputy Assistant Inspector General
for Financial Management and Information
Technology Audits

SUBJECT: Report on the Treasury Bureau of the Public Debt
Trust Fund Management Branch Schedules for
Selected Trust Funds for the Period
October 1, 2003 to September 30, 2004

I am pleased to transmit the attached Report on the Treasury Bureau of the Public Debt Trust Fund Management Branch (TFMB) Schedule of Assets and Liabilities and the related Schedule of Activity of Selected Trust Funds as of and for the year ended September 30, 2004 (the Schedules). We contracted with the independent certified public accounting firm of KPMG LLP to examine BPD's assertions pertaining to the Schedules as of and for the year ended September 30, 2004. These Schedules relate solely to the functions performed by TFMB as custodian of the following Trust Funds' monies and investments:

- Federal Supplementary Medical Insurance Trust Fund,
- Federal Hospital Insurance Trust Fund,
- Highway Trust Fund,
- Airport and Airway Trust Fund,
- Hazardous Substance Superfund Trust Fund,
- Leaking Underground Storage Tank Trust Fund,
- Oil Spill Liability Trust Fund,
- Harbor Maintenance Trust Fund,
- Inland Waterways Trust Fund, and
- South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund

The contract required that the examination be performed in accordance with generally accepted government auditing standards and the attestation standards established by the American Institute of Certified Public Accountants.

In its examination of BPD's assertions pertaining to the Schedules, KPMG LLP, found:

- BPD's assertions (which are included in the Independent Auditors' Report on Management's Assertions) pertaining to the Schedules are fairly stated, in all material respects, based on the measurement and disclosure criteria set forth in Note 1 to the Schedules, and
- a finding, described below, that is required to be reported in accordance with *Government Auditing Standards*.

KPMG LLP noted, as a deficiency in internal control, that TFMB did not design computer server controls to restrict access to the "In-House" developed programs to authorized personnel in accordance with Office of Management and Budget Circular A-130, which requires agencies to establish and maintain controls over their computer systems and programs. Management informed KPMG LLP that they agreed with the finding and implemented controls to restrict access for the server containing the "In-House" developed programs to the authorized personnel.

KPMG LLP also issued a management letter dated November 4, 2004, discussing other matters that were identified during the examination, which were not required to be included in the auditors' report.

In connection with the contract, we reviewed KPMG LLP's report and related documentation and inquired of its representatives. Our review, as differentiated from an examination of assertions in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on BPD's assertions. KPMG LLP is responsible for the attached auditors' report dated November 4, 2004 and the conclusions expressed in the report. However, our review disclosed no instances where KPMG LLP did not comply, in all material respects, with generally accepted government auditing standards.

Page 3

Should you have any questions, please contact me at
(202) 927-5400, or a member of your staff may contact
Mike Fitzgerald, Director, Financial Audits at (202) 927-5789.

Attachment

cc: Donald V. Hammond
Fiscal Assistant Secretary

**U.S. DEPARTMENT OF THE TREASURY
BUREAU OF THE PUBLIC DEBT TRUST FUND MANAGEMENT BRANCH**

Table of Contents

	Page
I Independent Auditors' Report on Management's Assertions	1
II Schedule of Assets and Liabilities of Selected Trust Funds	5
III Schedule of Activity of Selected Trust Funds	8
IV Notes to the Schedules of Selected Trust Funds	11

**I. INDEPENDENT AUDITORS' REPORT ON
MANAGEMENT'S ASSERTIONS**



2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report on Management's Assertions

Inspector General, U.S. Department of the Treasury, and
Commissioner, Bureau of the Public Debt:

We have examined the following assertions of the Trust Fund Management Branch (TFMB) of the Bureau of the Public Debt (BPD) of the U.S. Department of the Treasury (Treasury) with respect to the applicable accounts of each trust fund included on the accompanying Schedule of Assets and Liabilities of Selected Trust Funds as of September 30, 2004 and the related Schedule of Activity of Selected Trust Funds for the year then ended:

- Fund balance with Treasury is reported based on the balance reported by Treasury's Financial Management Service (FMS) in the Treasury Fund Statement 6653 Undisbursed Appropriation Account Ledger and reconciling transactions identified and recorded by TFMB.
- Interest receivables are calculated and reported by TFMB based on the investment terms received and recorded by TFMB from BPD's Federal Investments Branch (FIB) in the investment confirmations and monthly statements of account.
- Other receivables are reported based on amounts received and recorded by TFMB from the program agencies responsible for the respective trust fund activity.
- Investments (net) are calculated and reported at net cost based on the cost and premium/discount amounts reported to TFMB in the investment confirmations and monthly statements of account received from FIB.
- The market value of investments is calculated and reported by TFMB using the recorded investment cost and the market rates published in the September 30, 2004 *Treasury Quote* file.
- Program agency equity is calculated and reported by TFMB based on the net assets of the trust fund.
- Available program agency equity is reported based on amounts received and recorded by TFMB from the program agencies responsible for the respective trust fund activity.
- Other program agency equity is calculated and reported by TFMB as the difference between the net assets of the trust fund and the available program agency equity received and recorded by TFMB from the program agencies responsible for the respective trust fund activity.
- Interest revenue is reported based on the amounts received and recorded by TFMB from FIB in the monthly statements of account and accrued interest and amortization calculated by TFMB. Amortization of any premiums and discounts on investments is calculated and reported by TFMB based on the investment terms reported to TFMB by FIB using the straight-line method for

investments with a term equal to or less than one year and using the level yield method which approximates the interest method for investments with a term of greater than one year.

- Penalties, fines, administrative fees, transfers in from program agencies, premiums, cost recoveries, and other income are reported based on the amounts received and recorded by TFMB from FMS and the program agencies responsible for the respective trust fund activity.
- Tax revenues, adjustments, and refunds are reported based on the amounts received and recorded by TFMB from FMS.
- Transfers to program agencies are reported based on the disbursement request amounts received and recorded by TFMB from the program agencies responsible for the respective trust fund activity.
- Reimbursements to Treasury bureaus and the General Fund are reported based on the disbursement request amounts received and recorded by TFMB from various Treasury bureaus, including BPD and FMS.

These assertions are the responsibility of TFMB's management. Our responsibility is to express an opinion on these assertions based on our examination. Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining on a test basis, evidence supporting the assertions stated above and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, TFMB's assertions referred to above relating to the applicable accounts of each trust fund reported on the accompanying Schedule of Assets and Liabilities of Selected Trust Funds as of September 30, 2004, and the related Schedule of Activity of Selected Trust Funds for the year then ended, are fairly stated, in all material respects based on the measurement and disclosure criteria set forth in note 1 to the schedules of selected trust funds.

In accordance with *Government Auditing Standards*, we are required to report findings of deficiencies in internal control, fraud, illegal acts, violations of provisions of contracts or grant agreements and other matters that come to our attention during our examination and to obtain the views of management. We performed our examination to express an opinion on whether TFMB's assertions referred to above relating to the applicable accounts of each trust fund reported on the accompanying Schedule of Assets and Liabilities of Selected Trust Funds as of September 30, 2004, and the related Schedule of Activity of Selected Trust Funds for the year then ended are fairly stated based on the measurement and disclosure criteria set forth in note 1 to the schedules of selected trust funds and not for the purpose of expressing an opinion on the internal control over TFMB's assertions or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed a finding that is required to be reported under *Government Auditing Standards* and this finding, along with the views of management, are described below.

Criteria

In accordance with OMB Circular A-130, *Management of Federal Information Resources* TFMB is required to establish and maintain controls over their computer systems and programs.



Condition

TFMB did not design computer server controls to restrict access to the "In-House" developed programs to authorized personnel.

Cause

Management was not aware of the levels of access.

Effect

This condition could affect TFMB's ability to prevent and detect unauthorized changes to the In-House" developed programs.

Recommendation

We recommend that TFMB periodically test access controls over its computer systems and programs to ensure that access is restricted to authorized personnel.

Management's Response

Management agreed with the condition and implemented controls to restrict access for the server containing the "In-House" developed programs to the authorized personnel.

In accordance with *Government Auditing Standards*, we also noted other matters which we have reported to management of TFMB in a separate letter dated November 4, 2004.

This report is intended solely for the information and use of the management of BPD, program agencies responsible for their respective trust fund activity, the U.S. Department of the Treasury Office of Inspector General, the Office of Management and Budget, the Government Accountability Office, and the U. S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 4, 2004

**II. SCHEDULE OF ASSETS AND LIABILITIES OF
SELECTED TRUST FUNDS**

U.S. DEPARTMENT OF THE TREASURY
BUREAU OF THE PUBLIC DEBT TRUST FUND MANAGEMENT BRANCH

Schedule of Assets and Liabilities of Selected Trust Funds

September 30, 2004

Assets	Federal Supplementary Medical Insurance Trust Fund	Federal Hospital Insurance Trust Fund	Highway Trust Fund	Airport and Airway Trust Fund	Hazardous Substance Superfund Trust Fund
Fund balance with Treasury	\$ 42,424,032	12,481,862	3,349,740,941	642,007,013	188,182,401
Interest receivables	272,970,063	3,704,717,310	—	75,290,949	38,424
Other receivables	—	421,200,000	—	—	—
Investments (net)	17,439,084,000	264,375,217,000	10,211,852,000	9,891,592,000	2,217,295,934
Total assets	<u>\$ 17,754,478,095</u>	<u>268,513,616,172</u>	<u>13,561,592,941</u>	<u>10,608,889,962</u>	<u>2,405,516,759</u>
Liabilities					
Program agency equity:					
Available	\$ 17,754,478,095	15,829,836,643	7,999,328,164	3,704,148,224	2,405,516,759
Other	—	252,683,779,529	5,562,264,777	6,904,741,738	—
Total liabilities	<u>\$ 17,754,478,095</u>	<u>268,513,616,172</u>	<u>13,561,592,941</u>	<u>10,608,889,962</u>	<u>2,405,516,759</u>

U.S. DEPARTMENT OF THE TREASURY
BUREAU OF THE PUBLIC DEBT TRUST FUND MANAGEMENT BRANCH

Schedule of Assets and Liabilities of Selected Trust Funds

September 30, 2004

Assets		Leaking Underground Storage Trust Fund	Oil Spill Liability Trust Fund	Harbor Maintenance Trust Fund	Inland Waterways Trust Fund	South Dakota Trust Fund
Fund balance with Treasury	\$	13,256,088	1,742	63,683,363	6,481,816	—
Interest receivables		27,277,256	4,515,709	11,177,381	2,608,706	—
Other receivables		—	—	—	—	—
Investments (net)		2,289,889,805	837,982,498	2,291,402,013	372,935,731	63,792,795
Total assets	\$	<u>2,330,423,149</u>	<u>842,499,949</u>	<u>2,366,262,757</u>	<u>382,026,253</u>	<u>63,792,795</u>
Liabilities						
Program agency equity:						
Available	\$	89,725,172	163,325,430	—	9,906,788	—
Other		2,240,697,977	679,174,519	2,366,262,757	372,119,465	63,792,795
Total liabilities	\$	<u>2,330,423,149</u>	<u>842,499,949</u>	<u>2,366,262,757</u>	<u>382,026,253</u>	<u>63,792,795</u>

See accompanying notes to the schedules of selected trust funds.

**III. SCHEDULE OF ACTIVITY OF
SELECTED TRUST FUNDS**

U.S. DEPARTMENT OF THE TREASURY
BUREAU OF THE PUBLIC DEBT TRUST FUND MANAGEMENT BRANCH

Schedule of Activity of Selected Trust Funds

September 30, 2004

	Federal Supplementary Medical Insurance Trust Fund	Federal Hospital Insurance Trust Fund	Highway Trust Fund	Airport and Airway Trust Fund	Hazardous Substance Superfund Trust Fund
Revenues:					
Interest revenue	\$ 1,602,193,568	14,968,787,571	—	446,956,230	27,379,436
Penalties, fines, and administrative fees	—	670,445,832	16,456,644	—	2,818,216
Transfers in from program agencies	94,734,085,396	1,119,425,723	25,000	—	1,257,536,500
Tax revenue and adjustments	—	162,025,208,095	35,708,778,000	9,229,806,000	867,235
Tax refunds	—	—	(1,014,487,960)	(55,596,200)	—
Premiums	30,341,262,390	1,798,739,555	—	—	—
Cost recoveries	—	—	—	—	74,063,077
Other income	2,230,851	336,224	—	—	—
	<u>126,679,772,205</u>	<u>180,582,943,000</u>	<u>34,710,771,684</u>	<u>9,621,166,030</u>	<u>1,362,664,464</u>
Disposition of revenues:					
Transfers to program agencies	134,274,368,492	167,709,536,358	37,267,953,341	10,249,849,029	1,474,160,990
Reimbursements to Treasury bureaus and the general fund	<u>314,446</u>	<u>57,726,776</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total disposition of revenues	<u>134,274,682,938</u>	<u>167,767,263,134</u>	<u>37,267,953,341</u>	<u>10,249,849,029</u>	<u>1,474,160,990</u>
Net increase/(decrease) in program agency equity	\$ <u>(7,594,910,733)</u>	<u>12,815,679,866</u>	<u>(2,557,181,657)</u>	<u>(628,682,999)</u>	<u>(111,496,526)</u>

U.S. DEPARTMENT OF THE TREASURY
BUREAU OF THE PUBLIC DEBT TRUST FUND MANAGEMENT BRANCH

Schedule of Activity of Selected Trust Funds

September 30, 2004

	Leaking Underground Storage Trust Fund	Oil Spill Liability Trust Fund	Harbor Maintenance Trust Fund	Inland Waterways Trust Fund	South Dakota Trust Fund
Revenues:					
Interest revenue	\$ 66,762,223	13,495,575	52,683,916	6,910,751	705,029
Penalties, fines, and administrative fees	—	4,862,452	—	—	—
Transfers in from program agencies	—	—	—	—	—
Tax revenue and adjustments	192,895,000	—	869,699,019	90,845,000	—
Tax refunds	(3,898,000)	—	—	—	—
Premiums	—	—	—	—	—
Cost recoveries	—	11,667,267	—	—	—
Other income	—	2,790	—	—	10,000,000
	255,759,223	30,028,084	922,382,935	97,755,751	10,705,029
Disposition of revenues:					
Transfers to program agencies	52,400,000	156,476,600	648,199,795	114,744,028	—
Reimbursements to Treasury bureaus and the general fund	—	40,000	—	—	—
	52,400,000	156,516,600	648,199,795	114,744,028	—
Total disposition of revenues	52,400,000	156,516,600	648,199,795	114,744,028	—
Net increase/(decrease) in program agency equity	\$ <u>203,359,223</u>	<u>(126,488,516)</u>	<u>274,183,140</u>	<u>(16,988,277)</u>	<u>10,705,029</u>

See accompanying notes to the schedules of selected trust funds.

**IV. NOTES TO THE SCHEDULES OF
SELECTED TRUST FUNDS**

**U.S. DEPARTMENT OF THE TREASURY
BUREAU OF THE PUBLIC DEBT TRUST FUND MANAGEMENT BRANCH**

Notes to the Schedules of Selected Trust Funds

September 30, 2004

(1) Summary of Significant Accounting Policies

(a) *Reporting Entity*

The accompanying Schedule of Assets and Liabilities of Selected Trust Funds and related Schedule of Activity of Selected Trust Funds (Schedules) pertain to the aspects of certain Treasury Managed Trust Funds that are serviced by the Trust Fund Management Branch (TFMB) of the Bureau of the Public Debt (BPD) of the U.S. Department of the Treasury (Treasury). The trust funds were created by legislation enacted by the U.S. Congress.

TFMB acts as a service organization which processes receipts, disbursements, and transfers related to the trust funds based upon information received and recorded by TFMB from the Internal Revenue Service (IRS) and the Office of Tax Analysis (OTA), the program agencies responsible for their trust fund activity, Treasury's Financial Management Service (FMS), and other Treasury bureaus. As part of its functions, BPD also manages the investments, maintains related accounting records and supporting documentation, and reports financial activity. The financial activity reported in these Schedules is limited to the activities performed by TFMB.

The program agencies are responsible for administering, regulating, and monitoring the program activities funded by the trust funds. The program agencies make all decisions regarding dispositions from the trust funds. As such, these Schedules do not include information regarding the ultimate disposition of amounts transferred from the trust funds to the program agencies.

(b) *Basis of Presentation*

The Schedules have been prepared to report the assets and liabilities of the trust funds under the function performed by TFMB, and the related activity, in accordance with applicable financial presentation guidelines to the extent those guidelines apply to the limited activities performed by TFMB.

(c) *Basis of Accounting*

The Schedules are recorded using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(d) *Fund Balance with Treasury*

The Trust Funds do not maintain cash in commercial bank accounts. Treasury processes cash receipts and disbursements. Fund Balance with Treasury represents net revenue, disposition of revenue, and investment activity. Fund balance with Treasury is reported based on the balance reported by Treasury's Financial Management Service (FMS) in the Treasury Fund Statement 6653 Undisbursed Appropriation Account Ledger and reconciling transactions identified and recorded by TFMB.

(e) *Other Receivables*

Other receivables are reported based on amounts received and recorded by TFMB from the program agencies responsible for the respective trust fund activity.

U.S. DEPARTMENT OF THE TREASURY
BUREAU OF THE PUBLIC DEBT TRUST FUND MANAGEMENT BRANCH

Notes to the Schedules of Selected Trust Funds

September 30, 2004

(f) *Investments (Net)*

Pursuant to authorizing legislation, the Secretary of the Treasury shall invest, at the direction of the program agencies, such portion of the trust fund balances as is not, in the judgment of the program agencies, necessary to meet current withdrawals. Such investments shall be in nonmarketable par value or nonmarketable market-based securities as authorized by legislation. Par value securities are special issue bonds or certificates of indebtedness that bear interest determined by legislation or the Treasury. Market-based securities are Treasury securities that are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms. Both par value and market-based securities are issued and redeemed by the Federal Investments Branch of BPD.

TFMB follows Treasury fiscal investment policy guidelines. TFMB determines the term of the securities purchased based on direction provided by the program agencies. The securities are acquired and held in the name of the Secretary of the Treasury for the trust funds. The interest on and proceeds from the sale or redemption of any security held for the trust funds are credited to the appropriate trust fund. Investments are selected for liquidation based on the following order: earliest maturity date, lowest prevailing interest rate, and first security in first security out.

Investments (net) are calculated and reported at net cost based on the cost and premium/discount amounts reported to TFMB in the investment confirmations and monthly statements of account received from BPD's Federal Investments Branch (FIB). The market value of investments is calculated and reported by TFMB using the recorded investment cost and the market rates published in the September 30, 2004 *Treasury Quote* file.

(g) *Interest*

Interest revenue is reported based on the amounts received and recorded by TFMB from FIB in the monthly statements of account and accrued interest and amortization calculated by TFMB. Amortization of any premiums and discounts on investments is calculated and reported by TFMB based on the investment terms reported to TFMB by FIB using the straight-line method for investments with a term equal to or less than one year and using the level yield method which approximates the interest method for investments with a term of greater than one year.

Interest receivables are calculated and reported by TFMB based on the investment terms received and recorded by TFMB from FIB in the investment confirmations and monthly statements of account.

(h) *Available and Other Program Agency Equity*

Program agency equity is calculated and reported by TFMB based on the net assets of the trust fund. Program agency equity consists of available and other program agency equity.

Available program agency equity represents the amount of program agency equity that may be transferred as of September 30, 2004 to the program agencies at the request of the program agencies. Available program agency equity is reported based on amounts received and recorded by TFMB from the program agencies responsible for the respective trust fund activity.

U.S. DEPARTMENT OF THE TREASURY
BUREAU OF THE PUBLIC DEBT TRUST FUND MANAGEMENT BRANCH

Notes to the Schedules of Selected Trust Funds

September 30, 2004

The remaining balance of program agency equity is reported as other program agency equity. Other program agency equity is calculated and reported by TFMB as the difference between the net assets of the trust fund and the available program agency equity.

(i) Revenues

Pursuant to authorizing legislation, revenue activity recorded in the trust funds consists primarily of interest, penalties, fines, administrative fees, transfers in from program agencies, taxes (net of refunds), premiums, cost recoveries, and other income, which are transferred from the General Fund of the Treasury or from program agencies to the Trust Funds.

Penalties, fines, administrative fees, transfers in from program agencies, premiums, cost recoveries, and other income are reported based on the amounts received and recorded by TFMB from FMS and the program agencies responsible for the respective trust fund activity.

Tax revenues and refunds are reported based on the amounts received and recorded by TFMB from FMS. OTA estimates the tax revenues each month based on projected tax receipts and provides the estimates to FMS. FMS transfers the amount of estimated taxes to the trust fund accounts. The IRS or program agencies generally certify the tax revenues two quarters after the taxes are estimated (i.e., 1st quarter estimate is certified in the 3rd quarter) and provide this certification to FMS. FMS calculates the tax adjustment as the difference between the taxes estimated by OTA and taxes certified by the IRS/program agencies and adjusts the trust fund accounts accordingly. FMS reports the tax adjustments to TFMB. As a result of the timing of the certification, the statement of activity includes certified tax revenues (i.e. actual tax revenues) for the first two quarters of the fiscal year and estimated tax revenues for the second two quarters of the fiscal year.

(j) Transfers to Program Agencies

Dispositions from the Trust Funds are made in accordance with the authorizing legislation to the program agencies, which are responsible for the ultimate disposition of such funds, to cover program administration and related costs as defined by law. Transfers to program agencies are reported based on the disbursement request amounts received and recorded by TFMB from the program agencies responsible for the respective trust fund activity.

(k) Reimbursements to Treasury Bureaus and the General Fund

In the case of certain trust funds, BPD and Financial Management Service (FMS) are authorized by law to receive direct reimbursement from the trust funds for certain administrative expenses. Also, the Secretary of the Treasury is authorized by law to charge trust funds to reimburse the General Fund for administrative expenses incurred by other Treasury bureaus in performing activities related to administering the trust funds. These reimbursement amounts are determined by Treasury based on its assessment of the value of the services provided. Reimbursements to Treasury bureaus and the General Fund are reported based on the disbursement request amounts received and recorded by TFMB from various Treasury bureaus, including BPD and FMS.

**U.S. DEPARTMENT OF THE TREASURY
BUREAU OF THE PUBLIC DEBT TRUST FUND MANAGEMENT BRANCH**

Notes to the Schedules of Selected Trust Funds

September 30, 2004

(2) Investments (Net)

Federal Supplementary Medical Insurance Trust Fund

Investments at September 30, 2004, are nonmarketable par value intra governmental securities with a cost of \$17,439,084,000.

Federal Hospital Insurance Trust Fund

Investments at September 30, 2004, are nonmarketable par value intra governmental securities with a cost of \$264,375,217,000.

Highway Trust Fund

Investments as of September 30, 2004, are nonmarketable par value intra governmental securities with a cost of \$10,211,852,000. In accordance with Public Law 105-277, 112 Statute 2681, investments held by the Trust Fund ceased earning interest after September 30, 1998. However, the fund can earn interest pursuant to the Cash Management Improvement Act.

Airport and Airway Trust Fund

Investments at September 30, 2004, are nonmarketable par value intergovernmental securities with a cost of \$9,891,592,000.

Hazardous Substance Superfund Trust Fund

Investments at September 30, 2004, are nonmarketable market-based intra governmental securities as follows:

	Cost	Net unamortized premium (discount)	Net investments	Market value
One-day certificates	\$ 542,171,000	NA	542,171,000	542,171,000
Bills and notes	<u>1,684,802,000</u>	<u>(9,677,066)</u>	<u>1,675,124,934</u>	<u>1,674,831,972</u>
Total	<u>\$ 2,226,973,000</u>	<u>(9,677,066)</u>	<u>2,217,295,934</u>	<u>2,217,002,972</u>

The market value of investments is calculated using rates for September 30, 2004, as published in the *Treasury Quote* file. The net unrealized loss on the securities is \$292,962 at September 30, 2004.

**U.S. DEPARTMENT OF THE TREASURY
BUREAU OF THE PUBLIC DEBT TRUST FUND MANAGEMENT BRANCH**

Notes to the Schedules of Selected Trust Funds

September 30, 2004

Leaking Underground Storage Tank Trust Fund

The investments at September 30, 2004, are nonmarketable market-based intra governmental securities as follows:

	<u>Cost</u>	<u>Net unamortized premium (discount)</u>	<u>Net investments</u>	<u>Market value</u>
One-day certificates	\$ 120,707,000	NA	120,707,000	120,707,000
Bills and notes	<u>2,111,967,000</u>	<u>57,215,805</u>	<u>2,169,182,805</u>	<u>2,180,903,095</u>
Total	<u>\$ 2,232,674,000</u>	<u>57,215,805</u>	<u>2,289,889,805</u>	<u>2,301,610,095</u>

The market value of investments is calculated using rates for September 30, 2004, as published in the *Treasury Quote* file. The net unrealized gain on investments is \$11,720,290 at September 30, 2004.

Oil Spill Liability Trust Fund

The investments at September 30, 2004, are nonmarketable market-based intra governmental securities as follows:

	<u>Cost</u>	<u>Net unamortized premium (discount)</u>	<u>Net investments</u>	<u>Market value</u>
One-day certificates	\$ 68,233,000	NA	68,233,000	68,233,000
Bills and notes	<u>760,983,000</u>	<u>8,766,498</u>	<u>769,749,498</u>	<u>768,199,287</u>
Total	<u>\$ 829,216,000</u>	<u>8,766,498</u>	<u>837,982,498</u>	<u>836,432,287</u>

The market value of investments is calculated using rates for September 30, 2004, as published in the *Treasury Quote* file. The net unrealized loss on the securities is \$1,550,211 at September 30, 2004.

**U.S. DEPARTMENT OF THE TREASURY
BUREAU OF THE PUBLIC DEBT TRUST FUND MANAGEMENT BRANCH**

Notes to the Schedules of Selected Trust Funds

September 30, 2004

Harbor Maintenance Trust Fund

The investments at September 30, 2004, are nonmarketable market-based intra governmental securities as follows:

	<u>Cost</u>	<u>Net unamortized premium (discount)</u>	<u>Net investments</u>	<u>Market value</u>
One-day certificates	\$ 187,092,000	NA	187,092,000	187,092,000
Bills and notes	<u>2,050,401,000</u>	<u>53,909,013</u>	<u>2,104,310,013</u>	<u>2,107,383,283</u>
Total	<u>\$ 2,237,493,000</u>	<u>53,909,013</u>	<u>2,291,402,013</u>	<u>2,294,475,283</u>

The market value of investments is calculated using rates for September 30, 2004, as published in the Treasury Quote file. The net unrealized gain on investments is \$3,073,270 at September 30, 2004.

Inland Waterways Trust Fund

The investments at September 30, 2004, are nonmarketable market-based intra governmental securities as follows:

	<u>Cost</u>	<u>Net unamortized premium (discount)</u>	<u>Net investments</u>	<u>Market value</u>
One-day certificates	\$ 27,507,000	NA	27,507,000	27,507,000
Bills and notes	<u>324,733,000</u>	<u>20,695,731</u>	<u>345,428,731</u>	<u>341,759,630</u>
Total	<u>\$ 352,240,000</u>	<u>20,695,731</u>	<u>372,935,731</u>	<u>369,266,630</u>

The market value of investments is calculated using rates for September 30, 2004, as published in the Treasury Quote file. The net unrealized loss on investments is \$3,669,101 at September 30, 2004.

South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund (South Dakota Trust Fund)

Investments at September 30, 2004, are one-day securities with a cost and market value of \$63,792,795.

U.S. DEPARTMENT OF THE TREASURY
BUREAU OF THE PUBLIC DEBT TRUST FUND MANAGEMENT BRANCH

Notes to the Schedules of Selected Trust Funds

September 30, 2004

(3) Change in Program Agency Equity

Federal Supplementary Medical Insurance Trust Fund

Change in program agency equity, for the year ended September 30, 2004, is:

Balance, beginning of year	\$ 25,349,388,828
Decrease in balance	<u>(7,594,910,733)</u>
Balance, end of year	<u><u>\$ 17,754,478,095</u></u>

The program agency equity available as of September 30, 2004 is \$17,754,478,095. However, Congress has authorized appropriations in excess of current available trust fund assets that amounts to \$1,366,468,011 after considering amounts already transferred to the program agency.

Federal Hospital Insurance Trust Fund

Change in the program agency equity, for the year ended September 30, 2004, is:

Balance, beginning of year	\$ 255,697,936,306
Increase in balance	<u>12,815,679,866</u>
Balance, end of year	<u><u>\$ 268,513,616,172</u></u>

Highway Trust Fund

Change in program agency equity for the year ended September 30, 2004 is:

Balance, beginning of year	\$ 16,118,774,598
Decrease in balance	<u>(2,557,181,657)</u>
Balance, end of year	<u><u>\$ 13,561,592,941</u></u>

U.S. DEPARTMENT OF THE TREASURY
BUREAU OF THE PUBLIC DEBT TRUST FUND MANAGEMENT BRANCH

Notes to the Schedules of Selected Trust Funds

September 30, 2004

Airport and Airway Trust Fund

Change in program agency equity for the year ended September 30, 2004, is:

Balance, beginning of year	\$ 11,237,572,961
Decrease in balance	<u>(628,682,999)</u>
Balance, end of year	<u><u>\$ 10,608,889,962</u></u>

Hazardous Substance Superfund Trust Fund

Change in program agency equity for the year ended September 30, 2004, is:

Balance, beginning of year	\$ 2,517,013,285
Decrease in balance	<u>(111,496,526)</u>
Balance, end of year	<u><u>\$ 2,405,516,759</u></u>

The program agency equity available as of September 30, 2004 is \$2,405,516,759. However, Congress has authorized appropriations in excess of the available trust fund assets that amounts to \$7,618,822 after considering amounts already transferred to the program agency.

Leaking Underground Storage Tank Trust Fund

Change in program agency equity for the year ended September 30, 2004, is:

Balance, beginning of year	\$ 2,127,063,926
Increase in balance	<u>203,359,223</u>
Balance, end of year	<u><u>\$ 2,330,423,149</u></u>

Oil Spill Liability Trust Fund

Change in program agency equity for the year ended September 30, 2004, is:

Balance, beginning of year	\$ 968,988,465
Decrease in balance	<u>(126,488,516)</u>
Balance, end of year	<u><u>\$ 842,499,949</u></u>

U.S. DEPARTMENT OF THE TREASURY
BUREAU OF THE PUBLIC DEBT TRUST FUND MANAGEMENT BRANCH

Notes to the Schedules of Selected Trust Funds

September 30, 2004

Harbor Maintenance Trust Fund

Change in program agency equity for the year ended September 30, 2004, is:

Balance, beginning of year	\$ 2,092,079,617
Increase in balance	<u>274,183,140</u>
Balance, end of year	<u><u>\$ 2,366,262,757</u></u>

Inland Waterways Trust Fund

Change in program agency equity for the year ended September 30, 2004, is:

Balance, beginning of year	\$ 399,014,530
Decrease in balance	<u>(16,988,277)</u>
Balance, end of year	<u><u>\$ 382,026,253</u></u>

South Dakota Trust Fund

Change in program agency equity for the year ended September 30, 2004, is:

Balance, beginning of year	\$ 53,087,766
Increase in balance	<u>10,705,029</u>
Balance, end of year	<u><u>\$ 63,792,795</u></u>

The Omnibus Consolidated and Emergency Supplemental Appropriations Act dated October 21, 1998 (Public Law 105-277, DIVISION C, Title VI, Section 603) established this trust fund in 1999. This Act states that the Secretary of the Treasury may not transfer or withdraw any amount deposited in the trust fund until the aggregate amount is equal to at least \$108,000,000. As such, the program agency equity balance as of September 30, 2004 is not available to the program agency.

**U.S. DEPARTMENT OF THE TREASURY
BUREAU OF THE PUBLIC DEBT TRUST FUND MANAGEMENT BRANCH**

Notes to the Schedules of Selected Trust Funds

September 30, 2004

(4) Other Income

South Dakota Trust Fund

The \$10,000,000 of other income for the year ended September 30, 2004 represents the amounts deposited into the trust fund by the Secretary of the Treasury in accordance with Section 603 (b) of the trust fund's enabling legislation.

(5) Related Parties

TFMB, on behalf of the Secretary of the Treasury, compiles amounts deposited into the trust funds, invests receipts in Treasury securities, redeems securities and transfers funds to the program agencies, maintains accounting records for receipts and disbursements of the trust funds, and reports trust fund financial activity to the program agencies and other interested parties. The IRS and OTA determine the amounts to be deposited in the trust funds. The program agencies determine the disposition of the trust fund balances.